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# FEDERAL ENERGY REGULATORY COMMISSION

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## NEWS RELEASE

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### FINAL RULE TIES ANNUAL CHARGES TO TRANSMISSION

The Federal Energy Regulatory Commission today revised its methodology for assessing annual charges to public utilities, reflecting the dramatic changes in the electric industry and its regulatory landscape.

Annual charges to recover the costs of the Commission's electric regulatory program will now be based solely on the volume of electricity transmitted by public utilities rather than assessing charges on both jurisdictional power sales and transmission volumes. The charges will be based on the megawatt-hours of unbundled transmission service—both wholesale and retail—and on bundled wholesale power sales, which include a transmission component.

The Commission said that sweeping changes in the electric industry, including open access transmission, retail competition, divestiture of generation assets, the entry of new market participants, the growth of independent system operators (ISOs) and the expected establishment of regional transmission operators (RTOs), have changed the nature of its regulatory work. Today's rule reflects these changes as the Commission is increasingly devoting its time to assuring open and nondiscriminatory transmission access.

Under the Omnibus Budget Reconciliation Act of 1986, the Commission is required to assess and collect charges equal to incurred costs.

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By changing the focus from power to transmission, only those public utilities that provide transmission service will need to file a report and pay annual charges. Utilities must report total volumes of electric energy transmitted in interstate commerce in megawatt-hours by April 30 each year.

To avoid assessing ISO or RTO members twice for transmission service, the Commission said that if an ISO or RTO has taken over the function of providing transmission service, then the ISO or RTO will pay the annual charges. If an individual utility is providing the transmission service, that utility will be responsible for the annual charges.

Today's rule continues the exemption of annual charges for qualifying cogenerators and small power producers. In addition municipal utility systems and Rural Utilities System-financed electric cooperative systems will not be required to pay annual charges.

The final rule is effective with annual charges paid in calendar year 2002, based on data from the previous year.

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